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FIRST COUNTRY COOPERATION FRAMEWORK FOR MALAYSIA (1997-2001)

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INTRODUCTION

1. The first country cooperation framework (CCF) for Malaysia is based on the Government's Seventh Five-Year Development Plan and the results of extensive consultations, begun in late 1994, between the Government and UNDP. The two crucial meetings were the mid-term review of the fifth country programme in June 1995, during which proposals were discussed on how to enhance the effectiveness and relevance of UNDP to the needs of Malaysia; and a high-level discussion on 26 June 1996 during which UNDP presented ideas for the first country cooperation framework to the Economic Planning Unit. The papers discussed in that meeting and the Government's reaction formed the basis for the programmes outlined in the UNDP advisory note submitted to the Government in March 1997.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. Malaysia has made significant progress in development over the last decade; growth rates in gross domestic product (GDP) have averaged 8 per cent. Furthermore, the improvement in Malaysia's Human Development Index since 1960 is remarkable. Such improvements in income and human development result from policies that encouraged investment in people, promoted economic growth and targeted poverty-reduction and increased equity. Government ensured that the increased incomes were reinvested in education and health care programmes. While the investments in people bore high returns and spurred further growth, they also led to rapid changes in the economy, society and environment. As a result, there are a number of key challenges facing Malaysia, if its development is to continue to be balanced and sustainable.

3. Malaysia's poverty reduction programme has been very successful. From the combination of rapid economic development, investment in people, and targeted programmes for certain groups and areas, the incidence of poverty has declined dramatically. The percentage of poor households declined from 49 per cent in 1970 to 8.9 per cent in 1995. Hard-core poverty declined from 3.9 per cent in 1990 to 2.1 per cent in 1995 and the Seventh Plan aims to reduce poverty by the year 2000 to 5.5 per cent, with only 0.5 per cent of the population living in hard-core poverty.

4. Women have shared in the benefits of rapid development. Educational and health measures have moved from being to women's disadvantage to being comparable to those for men. The literacy rate for women increased by 60 per cent between 1970 and 1992, when it reached to 75.4 per cent, while education enrolment ratios are now virtually the same for males and females. Women have also increasingly moved into the formal labour market, with an increase in their participation from 45.8 per cent in 1990 to 47.1 per cent in 1995. However, women still tend to occupy lower-paying occupations than men. The Seventh Plan, therefore, calls for greater female participation in the labour force, and also recognizes that better supporting mechanisms must be created. Moreover, since women occupy more low-skilled jobs in the manufacturing sector, they stand to lose, rather than benefit, from

technological change. The Plan therefore calls for special efforts to provide increased educational, training and management opportunities for women.

5. Malaysia's job-creating policies have been highly successful, so much so that the country has achieved virtual full employment (2.8 per cent unemployment in 1995) and is experiencing labour shortages. These have been met, in part, by foreign labour and by shifts in labour from agriculture to the manufacturing and service sectors. Over the next five years, the thrust of human resource development efforts will be on building a strong human resource base for the country's long-term economic growth and to meet the challenges of global competition. Success in this area could boost knowledge-intensive production and lead to higher-skilled jobs and better-paying jobs.

6. Malaysia's record on the protection of the environment is generally satisfactory, as it has one of the least polluted urban environments in Asia. However, the country's rapid economic growth has put strains on the environment, since urbanization, industrial growth and transportation all contribute to air pollution. In 1995, vehicles contributed to 75 per cent of air pollution, while power stations and the burning of domestic and industrial fuels accounted for about 20 per cent and burning of household and industrial wastes for 5 per cent. Transboundary atmospheric pollution has contributed to serious haze problems. Water quality, also, has declined. In response, Government is implementing a number of measures to ensure that productivity and economic growth are not compromised by serious environmental problems. The Seventh Plan calls for existing programmes and priorities to be extended to conserving critical environments, raising environmental awareness and promoting better management of natural resources, so that development is sustainable and balanced. Environmental conservation considerations will therefore increasingly be integrated with development planning.

7. Good governance has been crucial to Malaysia's accomplishments. The Government has followed a policy of privatization of public services to improve efficiency and enhance countrywide coverage. The Seventh Plan seeks to adapt the privatization policy to education and health services, while still meeting social policy and equity concerns. The Plan also recognizes the important role of the public sector in public-private sector partnerships for enhancement of productivity-driven growth and human resources development.

8. The success of Malaysia's development poses new challenges, if the country is to achieve developed nation status. The Seventh Plan addresses these challenges in the following ways: shifting from factor-led to productivity-led growth and from labour-intensive to knowledge-intensive production methods; maintaining social values and a caring society; and ensuring that the well-being of the current generation is not met at the expense of future generations, by better integration of environment and development. Malaysia's challenges clearly result from its economic success and growth. The nation's greatest challenge will be to build on and sustain its accomplishments, and to respond effectively to the new challenges.

II. RESULTS AND LESSONS OF PAST COOPERATION

9. Although Official Development Assistance has declined correspondingly to Malaysia's economic growth, the Government continues to see a role for international development cooperation, particularly in the areas of environment, human resources development, industry and social development.

10. At the mid-term review of the UNDP fifth country programme and in subsequent discussions, the future role of UNDP in Malaysia was discussed. The Government said it would like to forge a stronger partnership with UNDP to meet the development challenges facing the country. The neutrality and non-commercial nature of UNDP make it the ideal honest broker in accessing expertise to help meet development challenges, particularly in areas where appropriate expertise cannot easily be purchased on the market.

11. The mid-term review found that UNDP had successfully supported national efforts to strengthen the planning process and build implementation capacities. The review noted the demand for projects in environmental management, which reflected the impact of the programme in development policy and capacity-building. National execution gave the Government increased ownership and ensured sustainability. Government support to the programme was reflected in cost-sharing, which amounted to 60 per cent of total expenditure for the fifth country programme. UNDP also helped to access funds from the Montreal Protocol and the Global Environment Facility (GEF).

12. While most projects were successful, procedural delays and the large number of projects hampered implementation of parts of the programme. It was agreed that new modalities should be used to enable UNDP to respond more swiftly to rapidly changing needs.

III. PROPOSED STRATEGY AND THEMATIC AREAS

UNDP role in Malaysia

13. In the course of the fifth country programme, which ended in 1996, Malaysia underwent considerable change. The country has achieved sustained rapid development and income growth, while reducing poverty. Consequently, the ways in which UNDP can now contribute have also changed. Today, the need is for UNDP to support national efforts in a few specific areas where the needs are great, where Malaysia's own ability is limited, where market mechanisms are ineffective for accessing expertise, and where UNDP and the United Nations system have a mandate and expertise.

14. Principles for UNDP activities during the first CCF should be for UNDP to continue its role as a development partner of the Government; provide neutral, high quality and non-commercial services in the agreed areas of priority; and mobilize additional resources. UNDP resources will therefore be used to seed larger programmes and to initiate activities. Government cost-sharing will be deployed to support the implementation. During the programme design phase, efforts will be made to mobilize private sector funds. UNDP will assist in accessing funds from GEF, the Montreal Protocol and other global and regional

funds. These measures should result in UNDP and the United Nations system making significant contributions to the implementation of important elements of Malaysia's Seventh Plan, and in UNDP funds leveraging up to $35.9 million of other resources.

15. UNDP will support the functions of the Resident Coordinator, especially in communicating information about the United Nations, its mandates and programmes. UNDP will also support the Resident Coordinator as an advocate of policies under the mandates of UNDP and the United Nations, particularly those linked to the follow-up to international conferences, and sustainable human development. To this end, public information activities will be integrated into programme design.

Strategy to support government programmes

16. Malaysia has demonstrated a growing capacity to successfully implement development programmes. UNDP support will therefore be focused on areas in which capacity still needs to be supplemented, and in which the United Nations can add value and UNDP has a mandate.

17. Malaysia has achieved a good measure of success in poverty eradication. Indeed, Malaysia's experience in poverty reduction could be used in programmes in other countries. Nevertheless, there are issues concerning the quality of income growth, its distribution and sustainability that could benefit from the cooperation of UNDP.

18. In view of Malaysia's success in full employment, economic growth, UNDP efforts on sustainable livelihoods will address labour shortages and will help in devising and implementing policies to ensure that such shortages do not adversely affect sustainable development.

19. Although women have benefited greatly from rapid development, they tend to occupy lower-skilled jobs in labour-intensive sectors. Furthermore, in view of the stresses on the family unit from the rapid changes, particularly as they affect women, Malaysia could also benefit from international experience on gender through UNDP.

20. Malaysia's environmental management capacity has grown to the extent that, in certain areas, the country is providing advice to other developing countries. Nevertheless, UNDP could help to strengthen environment management capacity in some areas.

21. Malaysia's development plans have highlighted environment, gender and livelihoods as areas of focus, where needs are rapidly evolving but capacity to respond is not yet adequate. Furthermore, market mechanisms alone cannot be depended upon to build such capacity, although they are effective in responding to needs in other priority areas. The challenges and issues facing Malaysia increasingly resemble those of developed countries. UNDP, by accessing the best expertise, can help Malaysia better meet these development challenges.

22. The first CCF therefore recommends that UNDP concentrate on two broad thematic areas, i.e., sustainable development and human development. The themes

coincide with the issues described above and commitments made at various United Nations conferences. Through activities in these areas, UNDP support will help overcome (a) environmental and (b) social and human resource constraints to Malaysia's sustainable development.

A. Sustainable development

1. Environmental management for sustainable development

23. Rapid development has put pressures on the natural environment, particularly on air quality in urban areas and water quality. The growth of technology-intensive industries has led to an increase in hazardous waste generation, and demand for new land for development has brought a need to pay greater attention to conserving biodiversity.

24. Malaysia has made a number of international environmental commitments and is translating them into national action. In the context of the national environment policy, the Seventh Plan identifies a range of policies, strategies and programme thrusts to improve environmental management. The Government and UNDP have identified the following programmes as priorities for UNDP support:

25. Programme I. Capacity-building in the Government at the federal and state levels in key areas of environmental management. UNDP will support implementation of environmental and conservation strategies at the state level, which are not currently fully implemented, because of shortages of skilled personnel and capacity deficiencies. Success will be indicated by implementation of conservation strategies, beginning in at least three areas:

(a) Improvement of federal and state environmental laws and environmental management. A project that studied federal/state responsibilities is recommending ways in which various responsibilities can be better delineated and laws modified to improve environmental management. This programme, which will also include a focus on the municipal and district levels, would support implementation of the reforms, which, in turn, would indicate success;

(b) Development of economic instruments for environmental policies. Building on earlier studies, this will support the development and introduction of economic instruments to redress environmental problems. The introduction and utilization of such instruments would indicate success;

(c) Programmes for land and water management, as well as for other natural resources, will build capacities in the federal Government for better planning and implementation. Success could be indicated by the degree to which capacity is built and the programme will develop ways to measure this.

26. Programme II. Development of training modules for training institutions to enhance environment planning, monitoring and enforcement, as well as to better integrate the approaches and efforts of the Government, private sector and civil society. Use and application of these modules would indicate success.

27. Programme III. Following a national workshop on GEF in Malaysia in 1996, the following priorities were agreed for GEF funding: wetland conservation, energy conservation, land biodiversity and coastal management. The GEF Small Grants programmes will permit similar work at the grass-roots level.

28. Programme IV. Continuation and completion of Montreal Protocol programmes, in order to meet the target set for the phasing-out of ozone-depleting substances by 2002.

2. Science and technology for sustainable development

29. The Seventh Plan highlights the challenge of shifting from factor-led to productivity-led growth and the need to shift from labour-intensive to knowledge-intensive production methods. The Plan also stresses the need to reduce waste and pollution from certain activities, both because of national needs and because buyers of exports now ask for products made in environment-friendly ways.

30. Thus, there is both an economic and environmental need to develop cleaner production processes, implement cleaner technologies, and conserve energy. Under the Seventh Plan, the environment-management strategy for industry is to promote the use of clean technology, pollution-control equipment, alternative fuels, proper siting of industries and the setting-up of central disposal facilities. To support this priority, the Government will target UNDP support to the following programmes:

31. Programme I. Implementation of key policies related to: cleaner technology, such as a one-stop centre for techno-tax assessments, and the creation of a techno-immigration service; Government's programme to institute an industrial technology policy for sustainable growth; the use of information technology for sustainable human development, through examining the social impacts and potentials of teleworking; and promoting private sector research and development for sustainable technologies. UNDP will help to assemble teams of expertise to translate policy goals into implementable programmes. Success will be measured by the degree to which the policies are implemented, and through separate success indicators.

32. Programme II. Development of the human resources needed for utilizing science and technology for sustainable development through: support to a national network of scientists focusing on technologies for sustainable development; and the national training of technicians and middle-level managers, scientists, engineers and educators on environmental technologies. Success would be indicated by the establishment of the network and the number of people trained.

B. Human development

1. Social development

33. Rapid development has improved people's lives, as evidenced by the increases in incomes and improved standards of living. However, this rapid

change has had social consequences, as described in the Seventh Plan and outlined above. Among the consequences has been slight increase in overall income inequality.

34. Many of these issues are new for Malaysia and, in responding to them, the Seventh Plan draws on traditional social values and structures and national experience, as well as the experiences of other countries. UNDP will support the Government through the following programmes:

35. Programme I. Assist in the drawing-up and implementation of policies on family development and social integration through: a comparative analysis of the involvement of the public sector and civil society organizations in social development programmes, to help determine what should be their respective roles; and examining modalities to encourage greater private sector involvement in social integration and equity objectives. The immediate indicator of success would be the adoption by the Government of resulting recommendations. The longer-term indicator would be the effectiveness of new policies in strengthening the family unit and social integration.

36. Programme II. Strengthening delivery of occupational safety and health. Rapid development of industry and services has exposed more workers, particularly women, to dangers in the workplace. To remedy this, UNDP will help strengthen the National Institute of Occupational Safety and Health, by building broader technical expertise; this could be done in collaboration with the International Labour Organization (ILO).

37. Programme III. Integrate gender concerns into national policies and planning, and increase the role women play in the society and economy by: a policy study on the greater integration of women into society and the economy; support to implementing programmes to ensure women are included in the benefits of technological change as a follow-up to the recommendations of an ILO study, 'Malaysia's Labour Market: Woman's Place'; and support to efforts to increase the decision-making role of women in business, the community and government. Success would be measured by the quality and use of the policy study, and the inclusion of more women in the benefits of development, and in decision-making roles.

38. Programme IV. Support to national acquired immunodeficiency syndrome (AIDS) programmes through UNAIDS and the AIDS theme group, under the Resident Coordinator. In particular, UNDP will support building the capacity of civil society organizations to deal with human immunodeficiency virus (HIV)/AIDS and emphasize the development impacts. The result will be an increase in the number of effective civil society organizations working to prevent and reduce the impact of HIV/AIDS on people and on development.

39. Programme V. Conduct policy studies on food security and price stability, which would impact the shape of national policy, particularly with respect to commitments linked to the World Food Summit.

40. Programme VI. Promote the spirit of volunteerism by promoting international links, and supporting the development and implementation of an enabling institutional, legal and financial framework. This should result in

volunteerism contributing more to Malaysia, and in raising awareness of and commitment to social issues.

41. Programme VII. Reform the social welfare and social protection system to extend coverage to the self-employed and those working in the informal sector; and reform the Employee Provident Fund and the Social Security Organization to provide improved benefits to the retired. The programme builds on earlier work, and success will be indicated by the degree to which United Nations-supported work is incorporated into national policy and implementation.

2. Human resource development

42. Upgrade the quality of education and training systems, to develop human resources in information-technology and knowledge-based industries.

43. Expand the capacity and increase the efficiency of the skills delivery system, to meet the increasing demand for skilled and semi-skilled workers.

3. South-South Cooperation

44. Malaysia is a leader in South-South Cooperation, building investment ties among southern countries, making its facilities available to train people from developing countries and hosting policy makers from the south. UNDP is requested to provide additional funds for technical cooperation among developing countries, so that these initiatives can be expanded.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

45. The modalities of national execution and implementation will continue. However, to increase effectiveness there will be changes in the modus operandi, which will entail, for example, the greater use of umbrella programmes to encourage flexible, quick and effective responses to needs. Programme support documents will be used for the areas outlined in the first CCF and will be based on priorities and needs determined by Government and UNDP. Programme support documents will include, where needed, sub-projects, which could be implemented quickly and for which additional resources could be mobilized.

46. United Nations agencies will be involved in design and implementation, and joint United Nations programme development will be promoted. The United Nations Office for Project Services, based in Kuala Lumpur, can help to access expertise and networks, and the experience of the Office in developing modalities of working with the private sector and accessing private sector funds can also be utilized.

47. The Transfer of Knowledge Through Expatriate Nationals (TOKTEN) will support the efforts of the Government.

Monitoring and review

48. The Economic Planning Unit will meet with UNDP on a quarterly basis to review substantive progress, identify problems and act to rectify them. For serious issues, the meeting will decide whether tripartite reviews are needed. Each programme will include a set of impact indicators, against which results will be measured. Once a year, the quarterly review meeting will examine and evaluate the overall direction of the programme, this in addition to the triennial review.

Resource mobilization

49. The annex shows resource mobilization targets for the period 1997 to 2001. In addition to core resources, $25 million is expected from GEF and $3.5 million from the Montreal Protocol. The Government intends to match UNDP contributions on a cost-sharing basis. Every programme will have a target of 50 per cent of cost-sharing from the implementing partner. Efforts will also be made to mobilize funds from the private sector.

50. TRAC resources from UNDP and Government cost-sharing will be deployed equally to the two programme areas: 50 per cent to sustainable development and 50 per cent to human development.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR MALAYSIA (1997-2001)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	(48)	
TRAC 1.1.1	1 895	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
SPPD/STS	60	
Subtotal	1 907	
NON-CORE FUNDS		
Government cost-sharing	7 400	
Sustainable development funds Montreal Protocol GEF	28 500 of which: 3 500 25 000	
Third-party cost-sharing	-	
Funds, trust funds and other	-	
Subtotal	35 900	
GRAND TOTAL	37 807[a]	

[a] Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; TRAC = target for resource assignment from the core.